



# Australian Bureau of Statistics

## 6102.0 - Labour Statistics: Concepts, Sources and Methods, 2001

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### INTRODUCTION

12.1 The field of industrial relations is complex and diverse, and does not admit readily to statistical measurement. This chapter discusses statistics on: the different methods that are used to set pay in Australia (such as awards, and collective and individual agreements); trade union membership; and industrial disputes. Where they exist and are relevant, international guidelines relating to these statistics are also outlined. The chapter starts with a historical overview of industrial relations in Australia.

### HISTORICAL OVERVIEW OF INDUSTRIAL RELATIONS IN AUSTRALIA

12.2 Governments have regulated the Australian labour market since colonial times. Changes to the structures and processes underpinning industrial arrangements have generally followed attitudinal and social change and adjustment in the Australian economy. For most of the last century, highly centralised Commonwealth and State tribunal-based systems of conciliation and arbitration shaped labour-employer relationships. Since the late 1980s, the Australian industrial relations system has been characterised by more decentralised arrangements for labour-employer bargaining.

12.3 Initially unions and employers opposed the establishment of a system of conciliation and arbitration. However, following a series of disastrous strikes in the 1890s, it was narrowly agreed at the Constitutional Conventions to include in the Australian Constitution powers of conciliation and arbitration for the prevention and settlement of industrial disputes that extended beyond the limits of any one State. The first legislation to put the Commonwealth's industrial power into effect was the Conciliation and Arbitration Act 1904, under which the Commonwealth Court of Conciliation and Arbitration (forerunner to the Australian Industrial Relations Commission) was established.

12.4 The Excise Tariff Act 1906, under which employers were granted tariff protection provided that a fair and reasonable wage was paid to their workers, proved attractive to both unions and employers. The first attempt to define a fair and reasonable wage was made in the Harvester case (1907). This case established the 'basic wage' and initiated an important principle of wage determination: that a fair and reasonable wage should be based on "the normal needs of the average employee, regarded as a human being living in a civilised community". The Harvester standard was used in making other awards; and the basic wage, with margin for skill, became the foundation wage rate.

12.5 The Federal system, with jurisdiction over matters extending beyond State borders, gradually became dominant over the individual State systems. By 1976 nearly 90% of the workforce had come under awards, of which nearly 40% came under Federal jurisdiction. By the mid 1980s there were over 9,000 separate awards with over 250,000 individual award classifications.

12.6 The nexus between tariff protection and the fair wage was weakened in 1973 when the then Labor government oversaw a reduction in overall tariff protection, in an attempt to open up the Australian economy to international competition.

12.7 The opening up of the Australian economy to international competition has continued since then. This in turn has resulted in a much greater emphasis being given to increases in productivity, improvements in work performance, the abolition of rules of demarcation, and workplace restructuring.

12.8 Coincident with these developments was an increased emphasis on agreement making and decentralised bargaining. Decentralisation related to movements away from centralised arbitration and conciliation arrangements (such as awards). These transformations have occurred in both the Commonwealth and State jurisdictions, although the timing and nature of industrial reforms have varied.

12.9 At the Federal level, the introduction of a series of bargaining principles (the Restructuring and Efficiency Principle, the Structural Efficiency Principle, and the Enterprise Bargaining Principle) by the Australian Industrial Relations Commission in 1991 provided a framework for decentralised bargaining and workplace reform. The Industrial Relations Reform Act 1993 encompassed provisions to better allow enterprise bargaining in non-unionised workplaces. The opening up of collective bargaining to workers not represented by unions meant that wages and employment conditions could be changed without unions being directly involved in negotiations. Further labour market reforms were undertaken through the Workplace Relations Act 1996 which allowed the development of individual worker agreements (Australian Workplace Agreements) as well as continuing collective worker agreements (Certified Agreements) and prohibited intervention in non-union agreements. The same legislation also facilitated the simplification of awards. At the same time, industrial reform also took place at the State level aimed at encouraging decentralised bargaining and workplace reform.

12.10 By May 2000, 24.1% of employees had their pay set at exactly the applicable award rate of pay, 33.7% had their pay set in a registered collective agreement, and 38.8% had their pay set in an unregistered individual agreement (Survey of Employee Earnings and Hours, 2000).

12.11 Coincident with industrial reform in Australia have been declining levels of trade union membership. For most of the last century the proportion of employees who were union members ranged between 42% and 62%. However, the 1990s witnessed significant reductions, to 26% by 1999.

12.12 For most of the last century the combined effects of State and Federal industrial relations legislation encouraged unionism. One of the aims of the Conciliation and Arbitration Act 1904 was to facilitate and encourage the organisation of bodies of employers and of employees and the submission of industrial disputes to the Court by organisations. Unions played a critical role in the centralised tribunal based system - indeed the only parties that could request the settlement of a dispute by the Court under the Act were 'registered organisations', that is, unions of employers or employees. The granting of preference clauses in awards for engagement and retrenchment, to unionists over non-unionists, further promoted membership in unions.

12.13 In more recent times the roles of unions under State and Federal industrial relations legislation have been less pivotal. The emphasis on decentralised bargaining and the opening up of both collective and individual bargaining to workers not represented by unions have reduced the role of unions in the wage negotiation process. Restriction of the content of Federal awards to certain allowable matters has further encouraged workers to bargain for wages and other employment conditions outside of award provisions. Other reasons for the decline in union membership include the exclusion of union preference clauses from awards, changing public sentiment towards unions, declines in employment in industries that traditionally were highly

unionised, and the emergence of new industries that are not unionised.

12.14 The level of industrial disputation in Australia has also decreased in recent years, with significant declines in strike and lockout activity since the 1980s. Traditionally, awards were the mechanism used by industrial tribunals to settle and prevent disputes, with unions bringing disputes (both 'actual disputes' and 'paper disputes') to the tribunals to improve the wages and other conditions of employment of their members. However, few disputes are now brought before the industrial tribunals for resolution. Those disputes that are brought before the tribunals tend to be of a longer duration and involve fewer workers. The majority of disputes tend to be short (one day or less in duration) and involve many workers.

12.15 Under decentralised bargaining systems, disputes are generally allowable (legal) only during the period in which employees and employers bargain on wages and other conditions of employment and only so long as the action is supporting or advancing claims in relation to the enterprise bargaining. During the periods for which agreements are in place neither party may legally engage in industrial action (with the exception of Occupational Health and Safety issues). However, disputes do sometimes occur outside these periods.

## HOW PAY IS SET

12.16 Statistical measures relating to pay setting mechanisms (such as awards and agreements) are used to monitor the effects of industrial relations reforms and wages policy.

## CONCEPTS AND INTERNATIONAL GUIDELINES

12.17 International guidelines on the production of statistical measures on how pay is set concern collective agreements (ICLS 1926) and relate to the numbers of, contents of, and employee coverage of collective agreements. A **collective agreement** is defined as "a written agreement concluded between one or more employers or an employers' organisation on the one hand, and one or more workers' organisations of any kind on the other, with a view to determining the conditions of individual employment, and in certain cases, to the regulation of other questions relative to employment".

## DEFINITIONS USED IN ABS SURVEYS

12.18 The ABS does not collect statistics on the numbers or contents of collective agreements as defined by ICLS guidelines described above. However, data about the methods that have been used to determine how pay is set are collected in the ABS Survey of Employee Earnings and Hours.<sup>1</sup> The definitions associated with these methods are outlined below.

**1. Data on methods used to set pay are only available from Surveys of Employee Earnings and Hours conducted biennially from May 2000 onwards.**

12.19 The survey identifies a number of different methods used to set pay in Australia, and estimates the proportion of employees who had their pay set using each method. The methods used to set pay identified in the survey are:

- individual agreements or contracts;
- collective agreements; and
- awards.

12.20 Job holders who have an individual agreement or contract with their employer which sets their terms of pay, are classified as having pay set in an individual agreement or contract. Individual agreements or contracts are defined in the survey as agreements setting the terms of employment (pay and/or conditions) for individual employees. Individual agreements or contracts may be verbal but are usually written and signed by both employers and their employees. Information on whether the agreement has been certified, approved or registered with an industrial tribunal (or authority) is also collected. Individual agreements or contracts may be used alone to set pay, or in conjunction with other methods (such as collective agreements and/or awards).

12.21 Job holders who have a collective agreement with their employer which sets their terms of pay, are classified as having pay set by a collective agreement. **Collective agreements** are defined as "agreements setting the terms of employment (pay and/or conditions) for a group of employees; they result from bargaining between an employer (or group of employers) and a group of employees (or one or more unions or employee associations representing the employees)". The survey further describes collective agreements as follows:

- they may be verbal or written;
- they are not usually signed by employees;
- they are usually voted on by employees; and
- they may be used alone to set all of an employee's pay, or in conjunction with other methods (such as individual agreements and/or awards).

12.22 Information on whether the agreement has been certified, approved or registered with an industrial tribunal (or authority) is also collected for both collective and individual agreements.

12.23 **Awards** are defined as "legally enforceable determinations (or documents) of industrial tribunals that set terms of employment". Awards are the traditional way of setting minimum pay and conditions in Australia. They may be used alone or in conjunction with other methods to set pay. In the case of jobholders for whom the rate of pay is set in an award, information is also collected about whether overaward pay is received. **Overaward pay** is defined as "a rate of pay above that specified in the award".

12.24 There are some differences between the international definition of collective agreement and that used in the Survey of Employee Earnings and Hours:

- the definition outlined in the international guidelines is broader than the definition used in the survey. The international definition encompasses both collective agreements and awards as defined in the ABS survey. In the Australian context, an award is simply a form of collective agreement (as per the international definition) that has been certified by an industrial tribunal as an 'award'; and
- the definition outlined in the international guidelines is restricted to written agreements, whereas the survey definition includes both written and verbal agreements.

## DATA SOURCES

### Coverage

12.25 Estimates of the proportion of employees who have had their pay set by each of the various mechanisms (individual agreements, collective agreements and awards) are periodically produced from the ABS business survey, the Survey of Employee Earnings and Hours<sup>2</sup>. As this survey collects details of all the mechanisms used to set pay, job holders may be counted as covered by more than one mechanism if individual agreements, collective agreements and awards operate in conjunction to set components of pay. However, information is collected in such a way as to enable the relationships between the various pay mechanisms to be identified for different groups of job holders. For more information on the content and collection methodology of this survey, refer to Chapter 28.

**2. Data on methods used to set pay are only available from Surveys of Employee Earnings and Hours conducted biennially from May 2000 onwards.**

## **Numbers and contents of collective agreements**

12.26 The ABS does not collect statistics on the numbers or contents of collective agreements as defined by ICLS guidelines described above. However, information of this type is available from other sources for collective agreements available under various State and Federal industrial relations jurisdictions. The amount and type of information available vary significantly, and readers should note that statistical measures produced are not necessarily consistent with international statistical guidelines or other ABS measures of the economically active population.

12.27 Measures of numbers of awards and collective agreements that have been arbitrated, certified or registered with industrial tribunals are often published in the annual reports of the various State and Federal industrial relations tribunals. They are generally restricted to the numbers of awards and collective agreements registered over a given reference period, and may also include details of the numbers of awards and collective agreements currently in force and not replaced, and details of employees covered at registration date. Details of the numbers, employee coverage, wage outcomes and contents of certain types of collective agreements are also available from the Australian Centre for Industrial Relations Research and Training, the Commonwealth Department of Employment, Workplace Relations and Small Business (Federal certified agreements) and, from time to time, the equivalent State government departments.

## **TRADE UNION MEMBERSHIP**

12.28 Union membership has declined since the mid 1970s. Factors contributing to this decline include: declines in employment in industries that are traditionally highly unionised (such as manufacturing); the emergence of industries that are not highly unionised; and growth in part-time and casual employment and other forms of employment (such as contractors), which also tend to be poorly unionised.

## **CONCEPTS AND DEFINITIONS**

12.29 There are no international recommendations or guidelines relating to statistics on trade union membership. However, numbers of employees who are members of a trade union are collected by the ABS annually in a supplementary survey to the Labour Force Survey, the Employee Earnings, Benefits and Trade Union Membership Survey.

12.30 A trade union is defined as an organisation (or employee or professional association) consisting predominantly of employees, of which the principal activities include the negotiation of rates of pay and conditions of employment for its members.

## **DATA SOURCES**

12.31 Estimates of the number and proportion of employees who are trade union members are produced annually from the Employee Earnings, Benefits and Trade Union Membership Survey. Readers should refer to Chapter 20 Section 2 for more detail on the content and methodology of this survey.

## DISPUTES

### CONCEPTS AND INTERNATIONAL GUIDELINES

12.32 International guidelines (ICLS 1993) define **labour disputes** as "a state of disagreement over a particular issue or group of issues over which there is conflict between workers and employers, or about which grievance is expressed by workers or employers, or about which workers or employers support other workers or employers in their demands or grievances". Labour disputes comprise strikes, lockouts and other types of action which workers may be involved with. Involvement may be direct or indirect: for example, workers may participate directly in a strike by stopping work, or indirectly if they are prevented from working because of the strike. Secondary effects of action due to labour disputes are excluded from measures of disputes.

12.33 **Strikes** are defined in international guidelines as "a temporary work stoppage effected by one or more groups of workers with a view to enforcing or resisting demands or expressing grievances, or supporting other workers in their demands or grievance". **Lockouts** are defined as "a total or partial temporary closure of one or more places of employment or the hindering of the normal work activities of employees, by one or more employers with a view to enforcing or resisting demands or expressing grievances, or supporting other employers in their demands or grievances". **Other types of action** are defined as "actions effected by one or more groups of workers or by one or more employers, with a view to enforcing or resisting demands or expressing grievances, or supporting other workers or employers in their demands or grievances, in which there is no cessation of work". Other types of action include work bans, go slows, work limitations etc. **Secondary effects** are "the effects on other establishments where workers are prevented from working or their work is disrupted, or the effects on other groups of self-employed workers who are prevented from working or whose work is disrupted". Examples of secondary effects include stand-downs because of lack of materials, disruption of transport services, and power shortages.

12.34 The international guidelines recommend a core set of statistical measures of disputes be collected, and that these be supplemented or extended by additional measures as appropriate. The core set of statistical measures should cover all strikes and lockouts, and all employees directly involved. Other types of industrial action and the self-employed are not core and should only be included where relevant. Measures of strikes and lockouts that should be collected include: numbers and duration of strikes and lockouts; and both numbers of workers involved and amounts of time lost by workers involved. Where possible, data relating to strikes and lockouts should be collected, compiled and presented separately.

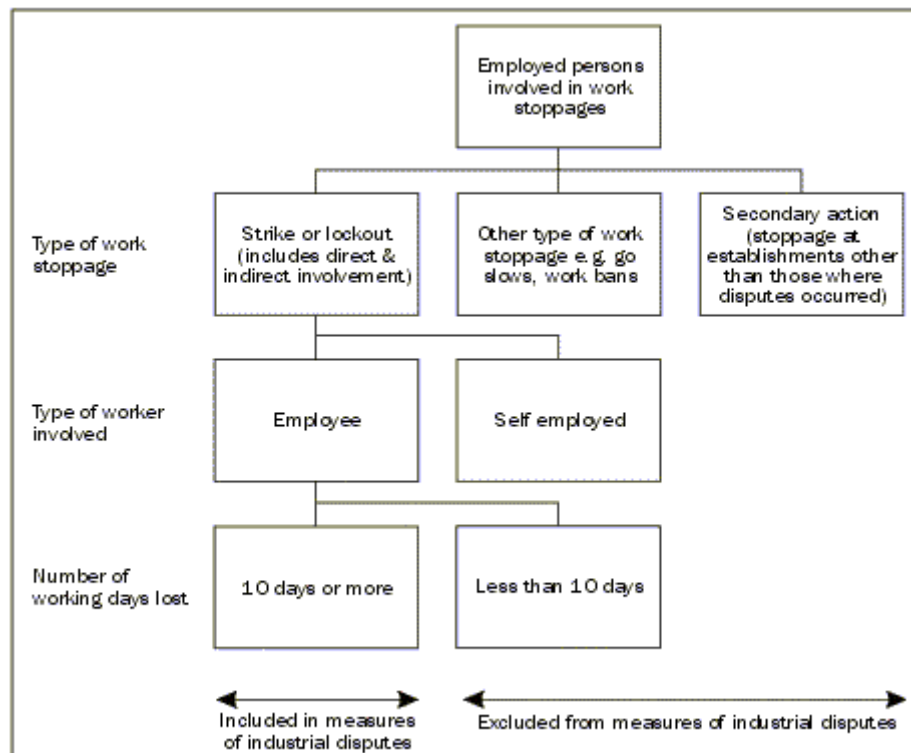
### DEFINITIONS USED IN ABS COLLECTIONS

12.35 Measures of disputes are collected by the ABS on a monthly basis in the Industrial Disputes Collection. Measures of disputes in this collection are, as much as possible, based on the concepts and definitions outlined in international guidelines. The term 'industrial dispute' is defined more narrowly than in the international guidelines and refers to only 'strikes' and 'lockouts'. An **industrial dispute** is defined as "a withdrawal from work by a group of employees,

or a refusal by an employer or a number of employers to permit some or all of their employees to work, each withdrawal or refusal being made in order to enforce a demand, to resist a demand, or express a grievance". The ICLS definitions of disputes, strikes and lockouts explicitly mention the temporary nature of the stoppage or closure, and disputes in support of other workers. However, while neither of these issues is explicitly included in the ABS definition, both are applied in the collection of statistics. Measures of industrial disputes are restricted to stoppages of work of ten working days or more and exclude both 'other forms of action' and the 'self-employed'. The number of working days lost is defined as the total amount of ordinary time lost by employees on strike or locked out, regardless of the length of the stoppage. Measures include direct and indirect involvement at the establishments where the stoppages occurred, but exclude secondary effects of industrial action (e.g. stand-downs at other establishments because of lack of materials).

12.36 Diagram 12.1 illustrates the criteria used to include or exclude industrial disputes from ABS statistical measures.

### 12.1 TYPES OF DISPUTES INCLUDED IN THE ABS INDUSTRIAL DISPUTES COLLECTION



12.37 Other measures collected in the Industrial Disputes Collection include:

- Cause of dispute - relates to the main cause of stoppages of work and not necessarily all causes that may have been responsible for work stoppages. The classification of 'cause of dispute' includes: wages; leave, pensions, compensation; managerial policy; physical working conditions; trade unionism; hours of work; and other causes.
- Duration of dispute - defined as the average number of working days lost per employee involved in the dispute. The duration of the dispute is calculated by dividing the number of working days lost in the dispute by the number of employees involved (both directly and indirectly).
- Employees directly involved in a dispute - those who actually participated in the dispute in order to enforce or resist a demand or to express a grievance.

- Employees indirectly involved in a dispute - those who ceased work at the establishment where the dispute occurred, but who were not themselves parties to the dispute. Employees who ceased work at establishments other than those where the dispute occurred are excluded.
- Employees newly involved in a dispute - for a new dispute, comprises all employees involved, and for an ongoing dispute, those involved for the first time.
- Total employees in a dispute - comprises those newly involved, plus those who continue to be involved (in the case of an ongoing dispute). Total employees involved for any period of time is obtained by adding together the number of employees involved in each dispute in the period. For any period of time the figures may include details of the same employees involved in more than one dispute.
- Method of settlement - relates to the method directly responsible for ending the stoppage of work and not necessarily to the method(s) responsible for settling all matters in the dispute. Methods include: negotiation; State legislation; Federal and joint Federal and State legislation; resumption without negotiation; and other methods.
- Working days lost - refers to working days lost by employees directly and indirectly involved in the dispute. Working days lost per thousand employees is calculated for a 12 month period by dividing the total number of working days lost by the total number of employees (averaged over the period) and multiplying by 1,000.

## DATA SOURCES

12.38 ABS statistics on industrial disputes are published each month in **Industrial Disputes, Australia** (Cat. no. 6321.0). The statistical measures produced and their underlying concepts are described above. Readers should refer to Chapter 24 for more detail on the content and methodology of this collection.

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